

Message Text

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PAGE 01 BRASIL 05794 251901Z
ACTION ABF-01

INFO OCT-01 ARA-14 ISO-00 FSE-00 OPR-02 COME-00 AID-05
/023 W

-----051832 261641Z /43

R 251835Z JUL 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 8394
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

UNCLAS BRASILIA 5794

E.O. 11652: N/A
TAGS: EFIN, BR
SUBJECT: EXCHANGE RATE DEPRECIATION

REFS: A) BRASILIA 5002
B) RIO DE JANEIRO 3254

1. EFFECTIVE JULY 24 THE CRUZEIRO/U.S. DOLLAR RATES ARE
18.31 BUYING AND 18.41 SELLING. THIS WAS THE NINTH
DEVALUATION IN 1978 AND CAME 32 DAYS AFTER THE PREVIOUS
RATE CHANGE.

2. THE 2.1 PERCENT MODIFICATION WAS THE LARGEST SINGLE
DEPRECIATION SINCE JUNE 1977 AND REFLECTS THE RELATIVELY
LONG INTERVAL SINCE THE LAST MINI-DEVALUATION. CUMULATIVE
DEPRECIATION OF THE CRUZEIRO IN CY 1978 TO DATE IS 14.8
PERCENT. ESTIMAATED CUMULATIVE CHANGE IN THE CRUZEIRO/DOLLAR
RATE IN THE LAST 12 MONTHS IS 26.4 PERCENT.

3. THIS WAS THE FIRST RATE CHANGE SINCE THE FOURTH
ANNUAL NATIONAL EXPORTERS' CONFERENCE IN RIO JUL 17-18
WHERE SPOKESMEN ADVOCATED POSSIBLE ALTERATIONS IN
THE EXISTING EXCPANGE RATE SYSTEM (REF B). THIS MOST
RECENT SMALL RATE ADJUSTMENT THUS CONFIRMS, AT LEAST
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FOR THE PRESENT, THE GOB'S CONTINUED COMMITMENT
TO THE ESTABLISHED SYSTEM OF MINI-DEVALUATIONS BASED
ON COMPARATIVE RATES OF INFLATION IN BRAZIL AND ITS
EXPORT MARKETS.
SAYRE

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NNN

Message Attributes

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Channel Indicators: n/a
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
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